

G-002/GR-92-1186 ORDER ACCEPTING COMPLIANCE FILINGS AND
CLARIFYING PREVIOUS ORDERS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Application
of Northern States Power Company
for Authority to Increase Gas
Rates in the State of Minnesota

ISSUE DATE: February 25, 1994

DOCKET NO. G-002/GR-92-1186

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PROCEDURAL HISTORY

On September 2, 1993, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in the above-captioned matter. On December 30, 1993, the COMMISSION issued its ORDER AFTER RECONSIDERATION.

On January 14, 1994, Northern States Power Company (NSP or the Company) submitted filings in compliance with the two Orders. The filings included a summary of gas sales and revenues, revised tariff sheets, proposed customer notices, and workpapers. On the same date, the Company also filed a new calculation of its base cost of gas. NSP requested that the Commission allow the new tariffed rates and the new base cost of gas to become effective March 2, 1994.

On January 28, 1994, the Department of Public Service (the Department) filed comments concerning NSP's compliance filings. NSP replied to the Department's comments on February 4, 1994. NSP's reply included several additions and corrections to its January 14 filings.

The Department filed additional comments on February 10, 1994. The Department and the Company agreed that certain issues raised in NSP's compliance filings made clarification of the rate case Orders necessary.

The matter came before the Commission for consideration on February 17, 1994.

FINDINGS AND CONCLUSIONS

NSP and the Department expressed uncertainty regarding two issues covered in the Commission's rate case Order. First, the parties questioned if the Commission meant to set rates or margins for certain large volume classes. Second, the parties sought clarification regarding the allocation of revenue increase between the Residential and Commercial/Industrial classes.

I. Rates or Margins

In its September 2, 1993 rate case final Order, the Commission set specific rates and revenues for the Large Volume Interruptible (LVI), Small Volume Interruptible (SVI) and Large General Service (LGS) classes.

The Company's January 14, 1994 compliance filings reflected the new base cost of gas it filed contemporaneously. NSP adjusted LVI, SVI and LGS rates and revenues for the higher base cost, using the margins and associated revenues from the rate case final Order. The Company reasoned that this was the Commission's intent; further, limiting the commodity rates for the three classes to the levels mentioned in the final Order would result in a disproportionate revenue burden on the Residential and Commercial/Industrial customers. The Company sought confirmation of its interpretation from the Department, which in turn sought guidance from the Commission.

The Commission agrees with the Company's interpretation of the rate case final Order. The Commission specifically adopted NSP's proposed revenue apportionment in the September 2, 1993 Order; fixing the large volume rates at the levels set in the Order, without an adjustment for the higher base cost of gas, would be inconsistent with the revenue allocation. In its final Order the Commission's reference to certain rates and revenues for large volume customers reflected an acceptance of NSP's rate methodology. The Company has properly used that methodology to adjust rates for the new base cost of gas. The Commission approves the Company's new tariffed rates for the LVI, SVI, and LGS classes.

II. Cost of Service or Equal Margin

NSP filed proposed final rates for Residential and Commercial and Industrial classes which reflect equal increases of 12.24 percent on the existing margins. NSP and the Department sought confirmation of the Company's methodology. The parties noted that there were conflicting references to commodity rate methodologies in the final Order.

At page 64 of the September 2, 1993 Order, the Commission stated: "Because the Commission adopted the NSP cost allocation, it will also adopt NSP's revenue allocation."

Later on the same page the Commission stated:

Large Volume Interruptible, Interdepartmental, and transportation class margins will remain unchanged. The Small Volume Interruptible class will receive a \$170,521 revenue increase, and the Large General Service class will receive a \$41,460 increase to maintain its relationship with interruptible classes. **The remainder of the increase will be apportioned based upon relative contribution to the cost of service, as measured by NSP's CCOSS [class cost of service study].** (Emphasis supplied.)

At page 65 of the Order, the Commission stated:

The commodity charge for this [Residential] class and for the Commercial/Industrial (C&I) class will be determined from the residential revenue requirement, after revenue is apportioned to all other classes. **The commodity rates for these two classes will reflect equal percentage increases on the existing margins.** (Emphasis supplied.)

Although NSP submitted its proposed final rates reflecting equal percentage increases between the Residential and the C&I classes, both NSP and the Department sought clarification from the Commission due to the conflicting references in the final Order.

The Commission finds that NSP's proposed equal percentage increase is appropriate. The Commission accepted NSP's allocation methodology in the final Order; that methodology allocated the remainder of the increase to the two classes in equal percentages. The Commission will approve the Company's proposed tariff sheets, which reflect this interpretation.

III. Conclusion

The Commission approves NSP's proposed compliance tariffs, customer notices, and effective date for rates. The Commission clarifies its September 2, 1993 and February 4, 1993 Orders as discussed in the body of this Order.

ORDER

1. The Commission approves NSP's compliance filings submitted January 14, 1994 and February 4, 1994.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)